MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

7 JULY 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SEVEN (7)** pages, excluding the cover page with only **FOUR (4)** questions.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1

On 1 January 2020, Wau Berhad held 80% of the 100 million ordinary shares issued by M Berhad, which it had acquired at the cost of RM260 million when the reserves of M Berhad showed a credit balance of RM200 million. The paid-up ordinary share capital was RM100 million. The fair value of M Berhad's net assets was equal to their carrying amount.

On 1 July 2022, Wau Berhad sold shares in M Berhad for RM287.5 million, leaving it holding 60 percent interest. The fair value of the net assets of M Berhad on 1 July 2022 was RM1,000 million. Wau Berhad has not yet accounted for the sale of shares in M Berhad. Goodwill on consolidation is not impaired and non-controlling interest is measured using the proportionate method.

The statement of profit or loss for the year ended 31 December 2022 is as follows:

	Wau Berhad RM'million	**M Berhad RM'million**
Revenue	50	40
Cost of goods sold	(30)	(20)
	20	20
Operating expenses	(7.5)	(8)
Profit before tax	12.5	12
Tax	(3)	(2)
Profit after tax	9.5	10
Dividends paid	1.5	-
Retained profit b/f	99.5	250

Required:

i. Compute goodwill on consolidation.

(4 marks)

ii. Compute the gain or loss on disposal of shares in M Berhad.

(2 marks)

iii. Prepare the consolidated statement of profit or loss for Wau Group for the year ended 31 December 2022. Show all relevant workings.

(14 marks)

iv. Compute the group retained profit as at 31 December 2022.

(5 marks)

(Total: 25 marks)

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QUESTION 2

The statements of financial position of X Berhad, Y Berhad, and Z Berhad are provided below:

Statement of financial position as at 31 December 2022

	X Berhad RM' million	Y Berhad RM' million	Z Berhad RM' million
Equity and Liabilities			
Ordinary share capital	2,700	900	600
10% preference share capital	200	100	-
Retained profit	136	140	120
Current liabilities			
Trade and other payables	194	180	58
	3,230	1,320	778
Assets			
Non-current assets			
Land and building	1,500	640	460
Plant and equipment	280	420	170
Investment at cost			
Y Berhad	1,000	-	-
Z Berhad	220	-	-
Current assets			
Inventories	50	140	60
Receivables	60	60	48
Bank	120	60	40
	3,230	1,320	778

Additional information:

a) The issued share capital comprises:

	X Berhad units (million)	Y Berhad units (million)	Z Berhad units (million)
Ordinary shares	2,600	800	600
10% preference shares	200	100	-

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b) X Berhad acquired 640 million ordinary shares of Y Berhad on 1 January 2020 when Y Berhad's retained profit was RM220 million.

c) The issued share capital of Y Berhad remained unchanged. The fair value of the non-controlling interest on the acquisition date was RM320 million. X Berhad's policy is to recognise non-controlling interests at fair value.

d) X Berhad has a one-third interest in Z Berhad as from 1 January 2021 when the retained profit of Z Berhad was RM90 million. Z Berhad is classified as a joint venture and X Berhad has joint control in Z Berhad.

e) X Berhad's trade receivables included RM4 million owed by Y Berhad and RM6 million owed by Z Berhad. Y Berhad had paid RM2 million for these debts, but X Berhad did not adjust its bank account.

f) Upon consolidation, Y Berhad's goodwill was impaired by RM20 million. The equity-accounted impairment loss on the investment in the joint venture is RM14 million.

Required:
Prepare the consolidated statement of financial position as at 31 December 2022.

(25 marks)

QUESTION 3

Your senior accountant, Mr Alex, provided the following statements of financial position of Good, Better and Best as at 31 December 2022.

	Good RM'000	Better RM'000	Best RM'000
Non-current assets			
Land and premises	6,000	1,000	1,500
Machinery	500	500	750
Motor vehicles	1500	500	750

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Investment in subsidiaries			
Ordinary shares in Better at cost	2,800		
Ordinary shares in Best at cost	500	2,000	
10% Debentures in Best		100	
Current assets			
Trade receivables	500	75	200
Inventory	100	25	50
Bank	500	100	50
	12,400	4,300	3,300
Equity and liabilities			
Ordinary shares	10,000	3,000	2,000
Accumulated profit	2,000	800	700
10% Debentures	-	-	300
Trade and note payables	400	500	300
	12,400	4,300	3,300

Mr Alex also provided the following additional information for your reference:

a) On 1 January 2018, Good acquired 6.4 million of the 8 million ordinary shares of Better. During that date, the retained profit of Better was a credit balance amounting RM300,000.

b) On 1 January 2019, Better bought 2 million of the 5 million issued ordinary shares in Best when the retained profit of Best was RM500,000.

c) On 1 January 2019, Good also bought 1 million ordinary shares of Best. During this date, a piece of land of Best had a fair value that was RM1,000,000 more than its carrying value.

d) Best has not accrued the second half-year debenture interest for the year 2022.

e) On 1 July 2022, RM100,000 10% debentures of Best was bought by Better.

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Required:

i. Compute the goodwill for each acquisition.

(13 marks)

ii. Prepare the consolidated statement of financial position for the group as at 31 December 2022. Show all relevant workings.

(12 marks)

(Total: 25 marks)

QUESTION 4

Part A

Provided below are the consolidated statements of financial position and profit or loss for Techno Berhad.

Consolidated Statements of Financial Position of Techno Berhad as at 30 June 2022

	2020	2019
	RM	RM
Property, plant and equipment	19,050,000	14,250,000
Investment in associate companies	2,850,000	2,400,000
Inventory	2,700,000	3,600,000
Trade receivables	2,100,000	2,250,000
Bank	2,550,000	600,000
	29,250,000	23,100,000
Ordinary share capital	13,900,000	11,400,000
Retained profits	12,500,000	6,000,000
Non-controlling interest	2,000,000	3,600,000
Trade payables	850,000	2,100,000
	29,250,000	23,100,000
Number of issue ordinary shares	10,500,000	9,000,000

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Consolidated Statement of Profit or Loss of Techno Berhad
for the year ended 30 June 2022

	RM
Profit before tax (including gain on disposal of subsidiary)	8,900,000
Share of profits of associate companies	600,000
	9,500,000
Tax- Techno Bhd and subsidiaries	-1,500,000
Profit after tax	8,000,000
Profit after tax attributable to:	
Equity holders of Techno Bhd	7,250,000
Non-controlling interest	750,000
	8,000,000
Dividends proposed and provided by Techno Bhd	750,000

Additional information:

a) Profit before tax includes a depreciation charge of RM 700,000, gain on the sale of subsidiary and disposal of property, plant and equipment.

b) Property, plant and equipment of carrying amount RM2,000,000 were sold for cash of RM3,000,000.

c) On 1 July 2022, Techno Bhd disposed its 75% interest in Chime Bhd, by paying cash RM10,000,000. The fair value of the net assets of Chime Bhd on 1 July 2022 is as follows:

	RM
Property, plant and equipment	7,500,000
Inventory	600,000
Trade receivables	400,000
Bank	1,000,000
Trade payables	(300,000)
Non-controlling interest	(2,300,000)
	6,900,000

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Required:

Prepare the consolidated cash flow statement for the year ended 30 June 2022 in accordance with the requirements of MFRS 107 Statement of Cash Flows using the indirect method.

(18 marks)

Part B

Salsa has an issued ordinary share capital of RM50,000,000 consisting of 50,000,000 shares. Pop acquired the shares in Salsa as follows:

Shares acquired	Cost (RM)	Date of acquisition	Reserves of Salsa (RM)
7,500,000	15,000,000	1 January 2017	20,000,000
30,000,000	105,000,000	1 January 2022	50,000,000

Salsa has no other reserves. On 1 January 2022, the fair value of one ordinary share of one ordinary share of Salsa was RM3.00.

Required:

Compute the goodwill on the business combination where:

i. The non-controlling interest is measured in proportion to the fair value of the identifiable net assets of Salsa.
ii. The non-controlling interest is measured at fair value.

(7 marks)

(Total: 25 marks)

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